Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of: Developing a Unified Intercarrier Compensation Regime	CC Docket No. 01-92

COMMENTS OF THE RURAL IOWA INDEPENDENT TELEPHONE ASSOCIATION

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SUMMARY OF COMMENTS

The Rural Iowa Independent Telephone Association urges the FCC to:

1. Recognize the differences between rural independent companies and large urban companies by developing an intercarrier compensation plan that explicitly provides for issues facing rural independents.

2. Run economic models of any intercarrier compensation scheme and fully evaluate its impact on small companies as required by the Regulatory Flexibility Act to determine the impact of the scheme on rural independent carriers.

3. Maintain Universal Service as required under federal telecommunications laws.

4. Provide an adequate return on investment for rural telecommunications carriers.

The Rural Iowa Independent Telephone Association makes the following comments in response to the Commission's Notice of Proposed Further Rulemaking in this docket.

INTRODUCTION

The Rural Iowa Independent Telephone Association (RIITA) is a non-profit association of rural independent telephone companies, representing approximately one hundred and thirty Iowa incumbent local exchange carriers. RIITA's membership is restricted to mutual telephone companies in which at least fifty percent of the users are owners, co-operative telephone corporations or associations, and telephone companies having less than fifteen thousand customers and less than fifteen thousand access lines which serve rural Iowa and are incumbent local exchange carriers as defined in the 1996 Telecommunications Act. RIITA's membership consists of companies substantially smaller than the access-line limitation indicates. The average RIITA member serves approximately twelve hundred access lines. In sum, RIITA exclusively represents the interests of small rural Iowa telephone companies.

I. BASIC PRINCIPLES.

RIITA believes that at least two basic principles should govern decisions related to intercarrier compensation as it applies to rural independent telephone companies. The specific plans that have been proposed to the FCC should be evaluated in terms of the entire Telecommunications Act, 47 U.S.C. section 151 *et. seq.* (the Act). However, the principles of Universal Service and compensation for network use quickly draw attention to the success or failure of a given plan for intercarrier compensation.

A. Universal Service.

Universal Service is one of the basic principles of the Telecommunications laws in this country, dating back to the 1934 Act. The concept of Universal Service is found in 47 U.S.C. section 254(c)(1):

> In general.--Universal service is an evolving level of telecommunications services that the Commission shall establish periodically under this section, taking into account advances in telecommunications and information technologies and services. The Joint Board in recommending, and the Commission in establishing, the definition of the services that are supported by Federal universal service support mechanisms shall consider the extent to which such telecommunications services—
>
> (A) are essential to education, public health, or public safety;
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> (B) have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers;

(C) are being deployed in public telecommunications networks by telecommunications carriers; and

(D) are consistent with the public interest, convenience, and necessity.

RIITA believes that in addition to reliable voice communications, Universal Service includes E911 services, CALEA law enforcement access, and some advanced telecommunications services.

RIITA's members operate exclusively in high-cost areas, notable for few customers per mile and a limited scope of local service. National telecommunications policy is designed to provide universal service to these customers so that a nation-wide network of telephone customers can call each other. Universal Service must be made available in rural high-cost areas at rates reasonably comparable to urban areas as provided for in 47 U.S.C. section 254(b):

> Universal Service Principles.--The Joint Board and the Commission shall base policies for the preservation and advancement of universal service on the following principles:
>
> (1) Quality and rates.--Quality services should be available at just, reasonable, and affordable rates.
>
> (2) Access to advanced services.--Access to advanced telecommunications and information services should be provided in all regions of the Nation.
>
> (3) Access in rural and high cost areas.--Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably

> comparable to rates charged for similar services in urban areas.
>
> (4) Equitable and nondiscriminatory contributions.--All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service.
>
> (5) Specific and predictable support mechanisms.--There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.
>
> (6) Access to advanced telecommunications services for schools, health care, and libraries.--Elementary and secondary schools and classrooms, health care providers, and libraries should have access to advanced telecommunications services as described in subsection (h).
>
> (7) Additional principles.--Such other principles as the Joint Board and the Commission determine are necessary and appropriate for the protection of the public interest, convenience, and necessity and are consistent with this Act.

RIITA believes that in order for rates to be reasonably comparable to urban areas, the FCC must take into consideration the calling scope of the exchange. As noted in section II, below, customers in rural exchanges have substantially fewer other customers to reach for unlimited local calling and as a result make a far greater percentage of interexchange calls. For example, customers in Chicago Illinois, pay $22.38 per month for flat-rate unlimited local service, including touch-tone service, surcharges and taxes.[1] This service entitles customers to call many more customers than a typical Iowa exchange of 1200 customers. By failing to take customer calling scope into account, plans submitted to the FCC do not achieve the basic elements of Universal Service.

B. Compensation for Investment.

RIITA's member companies have invested in a public, common carrier utility service based on the traditional notion that they should be compensated for providing service to all available customers. *See* Sidak & Spulber, *Deregulatory Takings and the Regulatory Contract* 538 (1998) ("The facilities of the regulated network industries did not fall like manna from heaven, but rather were established by incumbent utilities through the expenditures of their investors. Utilities made past expenditures to perform obligations to serve in expectation of the reasonable opportunity to recover the costs of investment plus a competitive rate of return"); *see also,* Sidak & Spulber, "Tragedy of the Telecommons: Government Pricing of Unbundled Network Elements Under the Telecommunications Act of 1996", 97 COLUM. L. REV. 1081(1997).

That return on investment can only be determined by using *embedded costs* to determine fees for network use and reimbursement of universal service funds. Using forward-looking costs to determine the distribution of universal service fund mechanisms can be wildly inaccurate. Lehman, *The Role of Embedded Cost in Universal Service Funding* (NTCA October 15, 2004) at p. 10.[2] Forward-looking costs, even if modeled appropriately, discourage efficient investment unless the cost new technology justifies replacing existing, installed plant. *Id.* at p. 7 ("Unless it can be shown that deployment of the switches currently in use was inefficient at the time these were installed, failure to permit

[1] Federal Communications Commission, Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service 2004 (Industry Analysis & Technology Division Wireline Competition Bureau) Available at : <http://www.fcc.gov/wcb/stats>

cost recovery of these switches present only illusory cost savings. . . . [I]f new switching technologies are only less expensive if there was no embedded base of switches, then this potentially lower forward-looking cost is a dangerous illusion." Emphasis in original.)

Though competition may have dramatically changed the nature of service provision in areas served by large carriers—and it is changing the nature of service in areas served by independents—the two areas remain very different.

First, in the vast majority of rural exchanges served by independents, the independent is the sole provider of voice, video and data services. In those exchanges, the independent is sole access point for long-distance, CMRS and VoIP providers. Without that provider, these rural areas will not be served.

Second, even in the exchanges where an alternative carrier provides service, the independent is the only carrier providing service throughout its exchange. Other carriers, when they exist, tend to concentrate either on interstate corridors (CMRS carriers) or in town (cable providers).

These two differences are critical: they demonstrate that outside carriers will not serve these exchanges. Thus, the services that are viewed as competitive in a large urban area and that can exchange traffic on a bill-and-keep basis, are not competing in the same fashion in a rural exchange. Instead, they are riding on the physical network of the independent and today are riding that network free. The regulatory arbitrage affecting RIITA's members is largely of this type. If those carriers are not required to pay for the network, then the network

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[2] Attached to NTCA's Initial Comments in CC Docket No. 96-45; available at <http://www.utilityregulation.com/>

quality will degrade and no longer be available for quality basic voice service, much less advanced telecommunications services. If that happens, the same carriers riding these rural networks will not build facilities to serve these rural areas.

C. Conclusion.

Any plan should be judged by these basic principles. All plans considered must meet the obligations of universal service and compensation for use of networks.

Bill-and-keep plans are supported by large urban carriers because they work in urban areas between large carriers. These plans are supported by the large carriers because they shift income across the network from the small rural companies to the large urban companies.[3] This shift occurs at the expense of the network itself because it will lead to one of two results: (1) long-term lack of rural service or (2) an increase in local rates that do not meet the Universal Service requirement of the Act.

II. THE RURAL DIFFERENCE

The Key problem with this NPRM is found in one sentence regarding the history of telephone service contained in paragraph 6. That paragraph discusses the general history of the industry *prior* to divestiture: "Prior to the AT&T divestiture in 1984, most telephone subscribers obtained local services from the Bell Operating Companies (BOCs) and long-distance services from AT&T Long Lines, both of which were owned and operated by AT&T."

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[3] *Coming About: Promoting Proper Policy for Rural Telecommunications* (NTCA 2001) at 11. Available at: <http://www.ntca.org/content_documents/white4.pdf>

Technically, this statement is true. However, it fails to recognize the *other* customers, those not served by an AT&T-owned company. Those customers are our customers. They have always been served by independents because AT&T and its BOCs were not willing to invest in the plant or the people to serve these rural areas.

Customers of RIITA members all fall in this category. None of the areas served by RIITA members (with the exception of a very few exchanges that have been sold and the few CLEC operations begun by RIITA members) were *ever* served by an AT&T local company. It is unreasonable to assume that the large companies proposing the plans submitted to the FCC will ever serve our areas, regardless of the impact of their plans on the rural customers. In order to understand what is happening in these areas, it is important to understand the Rural Difference.

This difference has been studied and outlined in several national studies. A few examples of facts developed by the Rural Task Force in 2000 demonstrates the difference:

- "Both Rural Carriers and non-Rural Carriers serve rural communities. However, Rural Carriers' operations tend to be focused in the more geographically remote areas of the nation with widely dispersed populations."

- "Nationwide, Rural Carriers serve about eight percent of the nation's access lines, 38 percent of the nation's land area, and 93 percent of the study areas."

- "Rural Carriers have relatively high loop costs because of the lack of economies of scale and density."

- "On average, multi-line business customers represent about 13 percent of total business lines served by Rural Carriers compared to over 21 percent of the lines served by non-Rural Carriers."

- “On average, special access services purchased by large users only represent about three percent of total interstate revenues for Rural Carriers compared to nearly 18 percent for non-Rural Carriers.”

- “On average, local minutes comprise 85 percent of total intrastate minutes for non-Rural Carriers, but only 69 percent of total intrastate minutes for Rural Carriers.”

- “Rural Carriers have a higher average proportion of interstate toll minutes to total minutes (21 percent) than non-Rural Carriers (16 percent).”

- “On average, total plant investment per loop is over $5,000 compared to less than $3,000 for non-Rural Carriers.”

The Rural Difference at pp. 8-12.[4]

Despite these differences, it is the rural independents that strive to serve customer needs in rural areas, as discussed in a white paper published in 2000 by The National Telecommunications Cooperative Association (NTCA) entitled *Who Will Serve Rural America?* [5] The NTCA noted that “It does not seem that the large phone companies will furnish state-of-the-art technologies throughout rural America.”[6] In fact, “RBOC deployment in rural areas also lags that of small independent telephone companies in rural areas.”[7] In 2000, as now, the rural independents have been on the forefront of providing quality and advanced telecommunications services.

Studies confirm what RIITA members already know about rural service from independents. Our customers have the advantage of advanced technology and high-quality personal service, despite the high costs of our networks.

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[4] Available on the Rural Task Force site under public documents at: <http://www.wutc.wa.gov/rtf/rtfpub.nsf?open>
[5] Available at: <http://www.ntca.org/content_documents/white_paper-rural.pdf>
[6] *Who Will Serve Rural America?* at 1.
[7] *Id.*

The major plans as proposed do not adequately address the issues facing rural independents. Normally, companies expect to see a return on their investment—Companies should be compensated for *embedded costs*. In addition, because the companies have fewer local customers, rural customers also use intercarrier networks a great deal. The IXCs, in turn use the rural LEC networks to originate and terminate their calls. Companies should be compensated for this use. Since this use is for what was a regulated utility, cost plus a rate of return makes sense. Rural independents don't own IXCs and cannot bargain for the rates that large carriers can. Compensation must be regulated differently.

Finally, new services ride existing rural networks. VoIP uses broadband networks developed by independents to deliver service. If advanced service providers are not required to pay for the physical network they actually use, incentives will continue that allow companies to provide low-cost services to customers by being a free-rider on our members' investments.

Rural independents have invested in the future of rural America. Rural independents have developed broadband faster than the RBOCs in rural areas and with better availability. If the companies are not compensated for the costs involved, the companies may need to cut back on investment or risk failure, either of which threatens the network as a whole.

III. RECOMMENDATIONS.

In general, RIITA believes that a rural independents need to be treated differently than large RBOCs and IXCs to address the Rural Difference. One unified plan will not fit the needs of different types of carriers. In addition, RIITA believes that wireless carriers and VoIP carriers should be required to pay actual embedded costs for their use of our networks, to provide important basic services and to pay into the Universal Service Fund or any mechanism designed to maintain Universal Service.

RIITA has provided the FCC comments on many of these matters previously.[8] In those comments, RIITA has continuously maintained that its members are not being compensated for the services they are being required to provide. Issues arising today result from years of rulings favoring non-Rural carriers, not from modern technology or from competition. Competition in Iowa is at best, not growing and more realistically, declining.[9]

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[8] *See* Appendix A of these comments.

[9] *See* FCC's Local Telephone Competition: Status as of June 30, 2004. The FCC reports show a decline annually since 1999 in end-user switched access lines served by ILECs and CLECs in Tables 8 and 9, and a decline from 2002 to 2003 (with a slight increase for the first 1/2 of 2004) in end-users served by competitive local exchange carriers, along with a relatively steady rate of 12% to 14% of the market being served by CLECs state-wide across both business and residential markets. The Iowa Utilities Board has shown that ILECs throughout Iowa serve 92 percent of all residential lines and 77 percent of all business lines, with market control higher in the rural areas. *See* Telecommunications Competition Survey for Retail Local Voice Services in Iowa: A Report of the Iowa Utilities Board (January 2004) at page vi, available at: <http://www.state.ia.us/government/com/util/Misc/Reports/2004TelecomSurvey.pdf>

A. Interexchange Carriers.

The roles of Interexchange Carriers (IXCs) are changing for the large LECs as they purchase IXCs and develop networks that allow them to transport calls without resorting to IXCs. However, customers of small carriers make substantially more interexchange calls because of their smaller local calling scope[10] and customer access to the IXC network will remain critical. IXCs must:

a. be regulated as common carriers and not allowed to limit customers to regions or types of customers, and

b. pay the costs for their use of local networks.

The interexchange carriers, like most carriers cannot reach their customers in rural exchanges to originate or terminate long-distance calls without the use of the networks developed and provided by the rural independents. If these carriers are allowed to pick and choose customers, instead of providing service as a regulated common carrier or allowed to use the networks without compensating the companies for their costs, the problems discussed throughout these comments will continue to develop.

B. Voice Over Internet Protocol.

Voice over Internet Protocol (VoIP) is an exciting technology, but is only a protocol that runs over communication networks, including the internet. In most rural exchanges, the last mile of service is provided exclusively by the rural independent. Arbitrage opportunities exist because VoIP companies are not required to pay network access and are not required to provide basic service on a common carrier basis.

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[10] *The Rural Difference* at 40.

Further, the regulatory requirements that carriers of last resort face (including the last resort obligation itself) do not apply. Examples of these requirements are E911, CALEA compliance and service standards. As a result, RIITA has repeatedly advocated to the FCC in previous comments that VoIP providers must meet these requirements, too.[11]

At some point, per-minute charges based on the jurisdictional travel of calls may need to change. However in the interim, companies offering different originating technologies, such as CMRS carriers, and companies offering different protocols to get calls to rural independents, such as VoIP providers, use the same termination services as IXCs, without paying for those services and are allowed to avoid important public service obligations. Traditional voice carriers cannot compete with these other providers because their costs are artificially low due to the regulatory imbalance. This regulatory imbalance is particularly acute in rural areas because independents are providing termination services because they are the only companies offering them. Addressing these issues will do more to end regulatory arbitrage than will a bill and keep proposal.

C. Wireless Telecommunications Carriers.

Commercial Mobile Radio Service (CMRS) providers have used the networks of independent carriers in ways that raise numerous concerns. The largest issues for Iowa carriers has been how to transit traffic to small independents and how to provide additional services like intermodal LNP.

CMRS carriers are presently able to deliver wireless transit traffic for a small fee to Qwest Communications as a tandem carrier, which Qwest then

[11] See RIITA's Comments in Appendix A.

terminates on independent carrier networks without an agreement between the CMRS carrier and the independent. In the past, these lines were designed solely to carry Qwest long-distance traffic. However, in the absence of an agreement, Qwest had also traditionally paid access as though the calls were Qwest calls. More recently, and continuing today, neither Qwest nor the CMRS carriers have been paying for access. Until recently, rural independents had no mechanism to direct this traffic and still cannot obtain anywhere near the cost of terminating the traffic. Though the FCC has recently addressed the issue of who can request interconnection, this fails to address rural exemptions and imbalances in costs to terminate traffic. If this continues, networks will erode and companies will be under financial threat. CMRS carriers must be required to pay embedded costs for the use of local networks. Rather than symmetrical reciprocal compensation, carriers should be required to pay actual costs on a reciprocal basis to carriers that terminate their originating traffic.

Intermodal number portability raises a different issue for rural independents. Some rural areas have little wireless coverage or a population that does not seek to eliminate its wireline service. Because the actual subscription rate has been much lower than anticipated in urban areas, the high per-line cost should not be placed on companies in areas where minimal demand exists. Before a rural carrier is required to offer Intermodal number portability, a minimum level of demand should be demonstrated by the requesting carrier and rural independents should not be required to provide service outside of their service area. Furthermore, as noted in RIITA's comments in *In re: Telephone*

Number Portability, CC Docket No. 95-116, requiring intermodal number portability under the guise of local number portability violates the Act.

D. Centralized Equal Access Carriers.

Most rural LECs in Iowa connect to nonLECs through a Centralized Equal Access (CEA) carrier, rather than subtending an RBOC tandem. This CEA carrier is a separate company from the rural LECs. Using a CEA carrier allows Iowa's rural LECs to provide their customers with better service and access to more IXCs. The CEA carrier allows Iowa's rural LECs (and other customers) access to 28 IXCs and 23 CMRS carriers. The carrier also provides any carrier with the possibility of trunk-group access to 148 ILECs and 37 CLECs throughout the state of Iowa. In Iowa, the CEA carrier (much like the rural LECs themselves) provides a wide-range of non-regulated services in addition to regulated telecommunications services.

CEA carriers provide a separate and distinct service from the services provided by rural LECs, IXCs and services provided by RBOCs in other states. Intercarrier compensation reform must recognize the existence of CEA carriers and allow those carriers to adequately recover their costs.

E. Phantom Traffic.

No intercarrier compensation plan can work when carriers place unidentified calls on the network. Carriers should be allowed to refuse phantom traffic or the delivering carrier should be required to pay for the traffic at the highest rate for traffic delivered at the point of interconnection.

IV. STATE JURISDICTION AND LOCAL RATE BENCHMARKS

Circumstances vary too much from state-to-state to completely regulate all aspects of rural exchanges at a national level. An increasing amount of regulation may need to be made at a federal level, primarily because of the difficulty in determining the jurisdictional travel of VoIP traffic. However, local service and local companies, are different in Iowa than in other states—even than other states served by small rural independents.

Furthermore, as noted, rural exchanges do not have the same scope of local coverage that large urban carriers can provide and our customers use more long-distance service than urban customers. If scope of service is not considered in setting local rates, customers will not be provided Universal Service as provided in the Act.

Nationally-set benchmark rates are almost guaranteed to favor some states over others and local disputes are better resolved by agencies that are familiar with uniquely local issues. This is particularly true in Iowa because of the large number of carriers. RIITA urges caution in setting benchmark rates and recommends a cost-based approach to Universal Service Funding, rather than a minimum base-rate approach.

V. RURAL ALLIANCE PRINCIPLES

Several plans have been presented to the FCC regarding intercarrier compensation. All these plans should first be subjected to economic modeling. Many of the plan developers have either not studied the impact on rural companies or not presented those results to the FCC. The decision to adopt an intercarrier compensation plan should not be made without knowing its impact.

Furthermore, it is imperative that any plan be analyzed under the Regulatory Flexibility Act to determine its impact on small businesses, which include all of RIITA's members. RIITA believes that most of the plans submitted will show large losses for rural independents and will not survive scrutiny under the Regulatory Flexibility Act.

RIITA supports many of the principles put forward by the Rural Alliance and will review those here. However, RIITA is concerned that the data it has reviewed under the separate plans promulgated by the Alliance for Rational Intercarrier Compensation, the Expanded Portland Group and NARUC, Iowa rural carriers will not receive positive returns on investment. RIITA believes that both the Rural Alliance groups have put forward plans that address issues for rural carriers in general better than the ICF plan. Those plans do not adequately address rate of return issues for Iowa's rural independent carriers. Network differences in states with rural areas must be addressed and one rural plan may not work in every state with rural areas. RIITA urges the FCC to determine the impact of each plan on rural independent carriers.

A. <u>Cost-based, Intercarrier Compensation Rates.</u>

RIITA agrees that rates for intercarrier compensation should be charged for both originating and terminating traffic and that the rates should be based on embedded costs. These rates should apply to voice traffic that terminates on the public switched network regardless of its point of origination or the technology that is used to carry the traffic to the public switched telephone network. RIITA notes that in rural Iowa, its members are often the sole provider of last mile service and regulatory arbitrage usually arises from outside carriers being allowed to force traffic onto its members networks without compensation.

B. Interconnection Point.

RIITA also agrees that carriers should be required to deliver traffic to an interconnection point within the network of a rural LEC if the carrier seeks to have the rural LEC switch or terminate the traffic or both. Carriers should always be allowed to reach other agreements. However, in the absence of agreement, the default system should be delivery to the rural LEC at a point on its network.

Also, as noted earlier, Iowa's rural LECs have access to a CEA carrier that has its own separate network. The point of interconnection for a rural LEC must be on the rural LEC's network, not on the independent CEA's network.

C. Compensation Obligations.

RIITA agrees with the compensation obligations principle of the Rural Alliance. In particular, RIITA supports the principles that reciprocal compensation should apply only to calls that are local to both carriers and that “No LEC should be required to terminate calls if the call records do not permit billing of such terminating traffic.”

RIITA further notes that even if the call records permit billing, the rural LEC should not be required to terminate traffic unless an agreement for compensation exists. In the alternative, given the number of rural Iowa LECs, rural carriers should be allowed to file tariffs to provide for compensation. Finally, reciprocal compensation should be allowed to be asymmetrical and should be based on each carriers' actual costs.

D. Transiting.

RIITA agrees that "transiting service provided by tandem owners that retain market power should be rate regulated." However, that does not solve the primary transiting problem in Iowa. A rural LEC must be allowed to designate what specific transiting carrier it is willing to accept traffic from in the absence of an agreement. Furthermore, given the number of Iowa companies, the rural carrier ought to be allowed to tariff traffic in the absence of an agreement.

E. Local Service Benchmark.

RIITA disagrees with the Rural Alliance on local service benchmarks. In particular, benchmark rates, if used, should be set by average rates for companies that are not RBOCs because of the smaller scope of local coverage. If a local rate is set at a national average, then the benchmark should be adjusted on a state-by-state basis based on the cost of living and the average size of companies for that state in the rural areas that would be served by carriers required to meet a benchmark.

F. Universal Service Funds and Universal Service Contributions.

RIITA partially agrees with the Rural Alliance regarding Universal Service Funds and contributions. If the existing mechanism is retained, *all* voice carriers should be required to contribute and effective service quality and scope of service rules should be used to determine ETC status on a consistent basis nation-wide, though the factual findings regarding whether a carrier seeking or maintaining ETC status can reasonably made by state regulators. Whether a Universal Service Fund or other mechanism meets the goal of universal service is more important than the specific mechanism used to provide Universal Service. Mechanisms that are less complicated than the present fund could be used, but care must be exercised to make certain that rural high-cost customers can receive reasonably comparable rates as those customers in urban areas.

G. Transition to IP Environment.

RIITA agrees that affordable access to IP backbone service is necessary to ensure universal connectivity for rural customers. Indeed, RIITA sees this as one of the primary flaws with most of the plans proposed. All of the plans are proposed as theories, without gauging the impact on rural customers. Under the plans presently under consideration, the FCC should be concerned that the high achievement of rural carriers in providing broadband access may not be able to be sustained.

Preliminary calculations show that the plans submitted to the FCC for intercarrier compensation reform will lead to a negative rate of return for rural independents. If rural carriers make negative returns on their investment, service quality cannot be maintained without substantial increases in local rates, denying those customers Universal Service.

CONCLUSION

RIITA believes that rural telecommunications is important and can thrive. Our companies are providing access to the world and access for rural communities to economic opportunities for residents throughout rural Iowa. They have invested in their networks to provide the latest and most up-to-date services. These services are under pressure from an increasing push for one-size-fits-all regulation. The companies are a vital part of the nations communications network, but provide services differently than large carriers and in areas that the large companies have never served and are not likely to serve. Recognition of these differences will allow rural customers to continue to be served and continue the support of Universal Service.

Specifically, RIITA urges the FCC to recognize the differences between rural independent companies and large urban companies by developing an intercarrier compensation plan that explicitly provides for issues facing rural independents. In addition, the FCC should run economic models of any intercarrier compensation scheme and fully evaluate its impact on small companies as required by the Regulatory Flexibility Act to determine the impact of the scheme on rural independent carriers.

Finally, if the FCC maintains Universal service as required under federal telecommunications laws and provides for an adequate return on investment for rural telecommunications carriers, rural telecommunications can continue to link rural America with the rest of the world.

Respectfully Submitted,

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APPENDIX A
PRIOR INTERCARRIER COMPENSATION COMMENTS FILED BY THE RURAL IOWA INDEPENDENT TELEPHONE ASSOCIATION BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

Nature of Comments	Docket Name	Docket Number	Title of Filing
CALEA should apply to VoIP providers	*In re: Communication Assistance for Law Enforcement and Broadband Access and Services*	ET Docket No. 04-295 RM 10865	Reply Comments of the Rural Iowa Independent Telephone Association (filed December 7, 2004)
Lifeline and Link-Up funding should not be available to companies without ETC status	*In re: Federal-State Joint Board on Universal Service/TracFone Wireless, Inc. and Lifeline and Link-Up/ AT&T Petition for Limited Reconsideration*	CC Docket No. 96-45 WC Docket No. 03-109	Comments of the Rural Iowa Independent Telephone in Opposition to AT&T'S Petition for Reconsideration and to Tracfone's Petition Seeking ETC Status (filed September 20, 2004)
CALEA and E911 requirements should be met by broadband telephony providers	*In re: United States Department of Justice, Federal Bureau of Investigation and Drug Enforcement Administration/Joint Petition to Resolve Various Outstanding Issues Concerning the Implementation of the Communications Assistance for Law Enforcement Act*,	Docket No. RM-10865	Comments of the Rural Iowa Independent Telephone Association (filed April 13, 2004)

State PUCs should have jurisdiction over VoIP carriers, which should meet all regulatory requirements as voice telecommunications providers	*In re: Vonage Holdings Corporation/Petition for Declaratory Ruling Concerning an Order of the Minnesota Public Utilities Commission*	WC Docket No. 03-211	Comments of the Rural Iowa Independent Telephone Association (filed October 27, 2003)
State regulatory commissions should be given discretion to resolve local issues	*In re: Lifeline and Link-Up*	CC Docket No. 96-45 WC Docket No. 03-109	Reply Comments of the Rural Iowa Independent Telephone Association (filed September 2, 2003)
Western Wireless should not be granted ETC status	*In re: Federal-State Joint Board on Universal Service/Western Wireless Corporation Petition for Waiver of Section 54.314(d) of the Commission's Rules*	CC Docket No. 96-45	Comments of the Rural Iowa Independent Telephone Association in Opposition to the Petition of Western Wireless Corporation (filed May 2, 2003)
The FCC should deny CTIA's petition seeking intermodal number portability	*In re: Telephone Number Portability*	CC Docket No. 95-116	Comments of the Rural Iowa Independent Telephone Association (filed February 27, 2003)
AT&T's petition to treat VoIP traffic as data traffic even if the traffic originates and terminates on the public switched network should be denied	*In re: Petition for Declaratory Ruling Filed by AT&T Corporation*	WC Docket No. 02-361 DA 02-3184	Comments of the Rural Iowa Independent Telephone Association (filed December 18, 2002)

Access should be paid by wireless carriers that deliver traffic to rural independents from outside the exchange of the rural LEC	*In re: Petitions for Declaratory Ruling Filed by T-Mobile USA, Inc. et al and US LEC Corp*	CC Docket No. 01-92	Comments of the Rural Iowa Independent Telephone Association in Support of the Petition of US LEC Corp. and in Opposition to the Petition of T-Mobile USA, Inc. (filed October 18, 2002)
State utility commissions should decide whether a state universal service fund is necessary	*In re: Federal-State Joint Board on Universal Service*	CC Docket No. 96-45	Comments of the Rural Iowa Independent Telephone Association (filed April 9, 2002)
If ETC status is granted to a wireless carrier, the carrier should also be subject to local telephone regulations	*In re: Petition for Declaratory Ruling that the Basic Universal Service Offering Provided by Western Wireless in Kansas is Subject to Regulation as Local Exchange Service*	Docket No. 00-239 DA-00-2622	Comments of the Rural Iowa Independent Telephone Association (filed December 21, 2000)